

Message Text

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INFO OCT-01 ISO-00 CIAE-00 PM-03 INR-07 L-03 ACDA-05

NSAE-00 PA-01 PRS-01 SP-02 USIA-06 TRSE-00 SAJ-01

DODE-00 EB-07 COME-00 FRB-03 /052 W
----- 097396

R 271750Z JUN 75
FM USMISSION NATO
TO SECSTATE WASHDC 2478
AMEMBASSY BONN
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E.O. 11652: N/A
TAGS: ECON, NATO, GE
SUBJ: ECONADS: EXPERTS MEETING AT NATO, JULY 10-11, ON ECONOMIES
OF CZECHOSLOVAKIA, GDR, AND HUNGARY-SUMMARY PAPER ON GDR

REF: USNATO 2867; AC/127-D/513

SEPTTEL REFERS TO FRG PAPER ON GDR ECONOMY TO (AC/127-D/513) WHICH
MISSION HAS FORWARDED TO BERLIN FOR REVIEW AND COMMENT (IN ADDITION
TO DEPARTMENT'S EVALUATION) PRIOR TO SUBJECT MEETING. PAPER
ON GDR HAS BEEN CIRCULATED AT NATO SO FAR ONLY IN FRENCH, WITH
ENGLISH VERSION EXPECTED TO BE AVAILABLE WITHIN A FEW MORE DAYS
(MISSION WILL FORWARD). IN MEANTIME, FRG NATO DEL HAS PREPARED
ITS OWN SUMMARY, IN ENGLISH, OF LONGER PAPER'S HIGHLIGHTS. TEXT
OF SUMMARY PAPER FOLLOWS: REQUEST COMMENTS IN TIME FOR MEETING.

BEGIN TEXT:

STATEMENT FOR THE DISCUSSION OF THE GDR
STUDY IN THE NATO ECONOMIC COMMITTEE

1. SINCE THE LATEST DISCUSSION OF THE ECONOMIC SITUATION OF THE
GDR IN THIS COMMITTEE, IN MAY 1974, THE ECONOMIC DEVELOPMENTS
IN THAT SOCIALIST INDUSTRIALIZED COUNTRY HAVE ALSO BEEN
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INCREASINGLY INFLUENCED BY THE PREVAILING INTERNATIONAL
PROBLEMS OF THE SUPPLY OF RAW MATERIALS AND ENERGY. THERE IS
A GROWING AWARENESS ALSO IN THE GDR THAT A SHIELDING FROM THE
NEGATIVE INFLUENCE EMANATING FROM THE WORKD MARKETS OF RAW

MATERIALS AND ENERGY IS NOT POSSIBLE.

NOTEWORTHY IN THIS CONTEXT IS A STATEMENT OF THE UNDERSECRETARY IN THE GDR MINISTRY FOR FOREIGN TRADE, DR. GERHARD BEIL, WHO A FEW WEEKS AGO WARNED AGITATORS AND PROPAGANDISTS IN THE GDR AGAINST CONTINUING THEIR GLOATING COMMENTS ON THE PRESENT ECONOMIC DIFFICULTIES OF THE WESTERN WORLD. SUCH PRESENTATIONS HAD PROVED QUITE SHORT-LIVED IN VIEW OF THEIR OWN PRICE PROBLEMS IN THE COMECON AREA.

2. THERE HAVE AGAIN BEEN NO CHANGES WORTH MENTIONING IN RESPECT OF THE BASIC ECONOMIC FACTORS WITHIN THE REPORTING PERIOD.

3. EFFORTS OF THE STATE AND PARTY LEADERSHIP TO ACHIEVE STRUCTURAL IMPROVEMENTS OF THE ECONOMIC POTENTIAL AND A BALANCED GROWTH ARE EVIDENT. WHEREVER SUCH ENDEAVOURS HAVE NOT YET BROUGHT THE SUCCESS HOPED FOR, THERE IS PLENTY OF SELF-CRITICISM. THERE ARE ALSO NUMEROUS HINTS OF RESPONSIBLE ECONOMIC FUNCTIONARIES HAVING TO BEAR THE CONSEQUENCES OF FAILURE.

4. IT HAS BECOME EVIDENT IN PARTICULAR IN THE LAST WEEKS OF 1974 THAT THERE CAN STILL BE NO CONTENTION THAT THE GDR ECONOMY IS DEVELOPING ALONG BALANCED AND SYSTEMATIC LINES. IF AT PRESENT PARTICULAR EMPHASIS IS GIVEN TO GREATER PRODUCTIVITY AND TO MORE ECONOMY IN THE USE OF MATERIAL, THIS, IT IS TRUE, IS DIRECTLY CONNECTED WITH THE EXORBITANT RISE IN RAW MATERIAL PRICES DURING THE PAST ONE AND A HALF YEARS. HOWEVER, MORE IMPORTANT IS THE FACT THAT THE PRIORITY TARGET OF SOCIALIST ECONOMIC MANAGEMENT CONTINUES TO BE THE GROWTH OF NATIONAL INCOME. QUITE EXTRAORDINARY EFFORTS ARE REQUIRED UNDER MORE UNFAVOURABLE CIRCUMSTANCES TO ATTAIN THE GROWTH RATES THEY HAVE BEEN USED TO FOR MANY YEARS.

THE PROMINENT FEATURE IS THE USE OF MANPOWER TO THE LARGEST EXTENT POSSIBLE. AN IMPORTANT ASPECT CONTINUES TO BE THE FULL EXPLOITATION OF WORKING TIME WHICH IS STILL NOT ALWAYS BEING EXHAUSTED OWING TO IRREGULARITIES IN THE FLOW OF MATERIAL AND LIMITED OFFICIAL USE
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OTHER FACTORS HAMPERING PRODUCTION.

5. NEVER BEFORE HAS THERE BEEN SO MUCH EMPHASIS ON THE REALIZATION OF SCIENTIFIC-TECHNICAL PROJECTS AND THE INTENSIFICATION OF WORK CONNECTED WITH IT AS WELL AS ON ENCOURAGING INNOVATOR ACTIVITIES. MOREOVER, CO-OPERATION AND MUTUAL INFORMATION ARE TO BE GREATLY IMPROVED AT ALL LEVELS OF THE ECONOMIC PROCESS, OF COMMODITY RESEARCH AND MANAGEMENT ACTIVITY IN ORDER TO MAKE FULL USE OF AVAILABLE RESOURCES AT ANY TIME AND TO ENHANCE THE EFFECTIVENESS OF ECONOMIC MANAGEMENT. PROFITABILITY PLAYS ONLY A SUBORDINATE ROLE IN THIS CONCEPT OF MAXIMUM PRODUCTION, AT LEAST IN THE SHORT RUN.

THUS, THE THROTTLING OR SUSPENSION OF PRODUCTION, E.G. BECAUSE OF A LACK OF MARKETS OR INSUFFICIENT TRANSPORT CAPACITIES, IS ONLY APPROVED IN CASES OF EXTRME EMERGENCY.

6. A GREAT, THOUGH DIMINISHING NUMBER OF ENTERPRISES IS STILL CAPABLE OF MEETING THE EXTREME OUTPUT REQUIREMENTS (MORE PRODUCTION WITH LESS, AND, SOMETIMES, INFERIOR MATERIAL, WITH LESS LABOUR AND IN LESS TIME*). ALSO, THERE IS STILL OVERFULFILMENT OF PLANS WHERE THE PRODUCTION RESULT IS SET OFF AGAINST PLANN ARREARS OF RETARDED ENTERPRISES AT COMBINE, DISTRICT AND REGIONAL LEVELS.

ON THE OTHER HAND, THE NUMBER OF PLAN DEBTORS INCREASES. TRUE, THEIR EXACT NUMBER AND THE VALUE OF THEIR NON-OUTPUT-IN TERMS OF THE PLAN AND OF SUPPLY CONTRACTS CONCLUDED WITH OTHER ENTERPRISES - ARE NOT EXACTLY KNOWN; HOWEVER, BOTH ARE OBVIOUSLY FAR IN EXCESS OF THE USUAL MARK, WHICH MOREOVER HAS BEEN REACHED OR BEEN EXCEEDED MUCH EARLIER THAN IN THE PAST YEARS.

IN ADDITION TO OTHER BRANCHES OF THE ECONOMY, THE ENTIRE BUILDING TRADE SECTOR IS OBVIOUSLY AFFECTED BY PARTICULARLY GRAVE DIFFICULTIES.

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DODE-00 EB-07 COME-00 FRB-03 /052 W

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8. THE RELENTLESS CONCENTRATION PROCESS IN THE AGRICULTURAL SECTOR PLACES A GREAT STRAIN ON THE ENTIRE ECONOMY. EVEN ITS NON-AGRICULTURAL SECTORS PARTICIPATE IN THE FINANCING OF THE PROCESS. A RESULTANT SHOWING DOWN OF THE OVERALL ECONOMICAL DEVELOPMENT IS ACCEPTED INTENTIONALLY.

THIS CONCENTRATION PROCESS, IN THE FINAL ANALYSIS, IS GENERATED BY IDEOLOGICAL REAONS: THE IDEAL OF A CLASS LESS SOCIETY -

LODE-STAR OF GDR DOMESTIC POLICY - REQUIRES THE PLACING ON AN EQUAL STATUS OF WAGES AND LIVING CONDITIONS IN THE CITY AND IN THE COUNTRY. YET, AN ADJUSTMENT OF AGRICULTURAL INCOMES TO INDUSTRIAL WAGES IS POSSIBLE ONLY IN AN INDUSTRIALIZED AGRICULTURE - IF AT ALL.

9. THE ECONOMIC TRENDS IN THE GDR ARE, MOREOVER, SUBJECTED TO CRITICISM BY THE USSR WHENEVER THERE APPEARS TO BE TOO MUCH EMPHASIS ON THE SPECIAL POSITION OF THE GDR WITHIN THE SOCIALIST BLOCK. AT THE MOSCOW COMMUNIST PARTY UNIVERSITY THE OVER-EMPHASIS ON THE DEVELOPMENT OF THE CONSUMER MARKET AND THE NEGLECT OF ENERGY POLICY IN THE GDR HAVE BEEN DENOUNCED FOR YEARS.

FURTHERMORE, IT IS MADE CLEAR THAT ESPECIALLY THE PEOPLE IN THE GDR HAVE A STRONGER INCLINATION TO LOOK TO THE WEST. A GREAT LIMITED OFFICIAL USE
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DANGER MAY ARISE FROM INCREASED COOPERATION WITH WESTERN COUNTRIES AND FROM THE FACT THAT A FIRM DETACHMENT FROM WESTERN CONTACTS WILL BE NO LONGER POSSIBLE TO THE PREVIOUS EXTENT.

10. BOTH THE POPULATION IN THE GDR AND THE FUNCTIONARIES DETERMINING THE ECONOMIC COURSE HAVE TO PUT UP WITH SOME BASIC SET OF FACTS OF A CENTRALIZED ECONOMY INCORPORATED INTO THE SOVIET POWER AREA, E.G. ABSOLUTE PRIORITY OF MEETING THE REQUESTS AND DEMANDS OF THE USSR IN THE FOREIGN TRADE SECTOR.

11. OWING TO THE PRESENT COMPLEX ECONOMIC TRENDS ON BOTH SIDES, THE INTRA-GERMAN TRADE IS STILL IN A CRITICAL PHASE.

A LEADING SED FUNCTIONARY CONSIDERS THAT THE PRESENTLY DISCERNIBLE "INITIAL STEPS OF ECONOMIC COOPERATION" BETWEEN GDR ENTERPRISES AND FIRMS OF THE FEDERAL REPUBLIC OF GERMANY WILL ALSO IN THE NEXT YEARS NOT GO BEYOND "A RELATIVELY RELAXED FORM OF COOPERATION". THE FREQUENTLY USED TERM "KOOPERATION" (COOPERATION) WHICH, IN THE FINAL ANALYSIS, PURPORTS MUTUAL INTERDEPENDENCE OR DEPENDENCE OF THE PARTNERS OF COOPERATION COULD NOT IN THE TRUE SENSE OF THE WORD BE APPLIED TO NORMAL INVESTMENT TRANSACTIONS (EVEN WHERE THE INVESTMENTS ARE IN PART FINANCED FROM THE PRODUCTION) OR TO LICENSING TRANSACTIONS.

ACCORDING TO THE FUNCTIONARY'S STATEMENT THE POLITICAL LEADERSHIP OF THE GDR IS "AT LOGGERSHEADS" OVER WHETHER INVESTMENT TRANSACTIONS WITH WEST GERMAN FIRMS SHOULD ENTAIL SUBSEQUENT COOPERATION IN THE FIELDS OF PRODUCTION AND MARKETING OR NOT. THERE STILL EXISTED "SERIOUS POLITICAL RESERVATIONS" AGAINST SUCH AN INTENSIFICATION OF RELATIONS.

12. THE GDR'S FOREIGN TRADE IS LIKEWISE IN A DIFFICULT PHASE AT PRESENT WITH NO END AS YET IN SIGHT. THE DIFFICULTIES -

ESPECIALLY WITHIN COMECON AND IN THE RELATIONS WITH THE USSR -
WILL PREVAIL IN THE FORESEEABLE FUTURE, WHICH AGAIN MIGHT
STRENGTHEN THE DESIRE OF NUMEROUS ECONOMIC FUNCTIONARIES IN THE
GDR FOR INCREASED WEST-ORIENTATION IN FOREIGN TRADE.

AT PRESENT THE EFFORTS ARE MAINLY CONCENTRATED ON FULFILLING THE
EXPORT PLAN. HOWEVER, AT THE SAME TIME ENTERPRISES ARE URGENTLY
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CALLED UPON TO ECONOMIZE FOREIGN EXCHANGE. ON THE OTHER HAND, A
RADICAL REDUCTION OF WESTERN IMPORTS REGARDLESS OF ADVERSE EFFECTS
ON THE OWN ECONOMY IS EVIDENTLY NOT BEING TAKEN INTO CONSIDER-
ATION.

13. ACCORDING TO LATEST INFORMATION THE GDR MINISTRY OF FOREIGN
TRADE (MFT) IS CONVINCED THAT THE 1975 WEST-EXPORT PLANNING RATE
(ORIGINALLY PLUS 20PERCENT) "CANNOT EVEN APPROX BE ATTAINED".
BASED ON THE RESULTS AVAILABLE SO FAR AN EXPORT PLAN FULFILMENT
OF MAX. 70 PERCENT IS EXPECTED. A PLAN FULFILMENT OF NO MORE THAN
65 PERCENT IS ANTICIPATED IN THE MECHANICAL ENGINEERING SECTOR,
WHICH WAS DESIGNED TO CONTRIBUTE ESSENTIALLY TO THIS YEAR'S
GROWTH OF EXPORT. FT MINISTER SOLLE CHARACTERIZED THE PRESENT
SITUATION BEFORE LEADING FOREIGN-TRADE FUNCTIONARIES OF THE GDR
WITH THESE WORDS: "TIMES ARE VERY ROUGH BOTH FOR THE MINISTER
OF FOREIGN TRADE AND FOR THE FOREIGN TRADE OF THE GDR."

BOTH THE SED POLITBURO AND THE GDR MINISTERIAL COUNCIL ARE
CONCERNING THEMSELVES CONTINUOUSLY WITH WESTERN-TRADE PROBLEMS.
IT WAS NOTED WITH CONCERN THAT EXPORT DEFICITS IN THE
NON-SOCIALIST ECONOMIC AREA ARE OPPOSED BY AN UNPLANNED
OVERFULFILMENT OF THE PLAN IN THE SOCIALIST ECONOMIC AREA.

THE NUMEROUS "IMMEDIATE ACTION PROGRAMMES" AT PRESENT ALSO
INCLUDE VISITS OF SO-CALLED WORKING GROUPS OF THE SED CENTRAL
COMMITTEE DIRECTLY TO VITAL EXPORT ENTERPRISES, ACCOMPANIED
BY HIGH FUNCTIONARIES FROM THE MINISTRY OF FOREIGN TRADE OR
THE INDUSTRY MINISTRIES, RESPECTIVELY. EVEN IN THE GDR'S VIEW
ONE CAN SPEAK AT PRESENT OF STAGNATION IN THE INTRA-GERMAN
TRADE (WHICH FROM THE GDR'S POINT OF VIEW IS PART OF THE
WESTERN TRADE). A NEW CONCEPT FOR INTRA-GERMAN TRADE PREPARED
BY THE MINISTRY OF FOREIGN TRADE (ORIGINAL PLANNING FIGURES:
EXPORT PLUS 20PERCENT, IMPORT PLUS 0 PERCENT), WHICH APPARENTLY
ENVISAGED IN PARTICULAR AN INCREASE OF SUPPLIES FROM THE FEDERAL
REPUBLIC OF GERMANY, HAS NOT YET BEEN APPROVED BY THE COMPETENT
POLITICAL AUTHORITIES.

VIS-A-VIS THE DEVELOPING COUNTRIES THE GDR SHOWED ONLY LITTLE
ACTIVITY IN TERMS OF DEVELOPMENT POLICY DURING THE REPORTING
PERIOD. THERE IS, HOWEVER, A CONTINUED INTEREST IN IMPORTING
VITAL RAW MATERIALS AND CONSUMER GOODS FROM DEVELOPING COUNTRIES.
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14. IN PRINCIPLE, THE GDR FOREIGN GRADE CONTINUES TO BE FIRST
OF ALL A VEHICLE OF FOREIGN POLICY. THE POSSIBLE USE OF THIS
VEHICLE, HOWEVER, IS ALSO DETERMINED BY THE FACT THAT IT HAS
REGULARLY BEEN NECESSARY TO HAVE ADDITIONAL IMPORTS FROM THE
WEST IN ORDER TO IMPLEMENT THE PLANS. IT MAY, THEREFORE, BE
EXPECTED THAT THE ORIGINAL TARGET OF THE FIVE-YEAR PLAN OF THE
GDR TO RAISE THE SHARE OF THE INTRA-BLOCK TRADE TO 75 PERCENT
OF THE TOTAL FOREIGN TRADE BY THE END OF 1975 WILL NOT BE
ACHIEVED. END TEXT.BRUC

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Message Attributes

Automatic Decaptioning: X
Capture Date: 18 AUG 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 27 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975NATO03483
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: n/a
From: NATO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750698/abbrzktk.tel
Line Count: 286
Locator: TEXT ON-LINE
Office: n/a
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: USNATO 2867; AC/127-D/513
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 01 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 MAY 2003 by ShawDG>; APPROVED <25 SEP 2003 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ECONADS: EXPERTS MEETING AT NATO, JULY 10-11, ON ECONOMIES OF CZECHOSLOVAKIA, GDR, AND HUNGARY-SUMMARY PAPER ON GDR
TAGS: ECON, NATO, GE
To: STATE
BONN
BERLIN
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

